

**House File 181 - Introduced**

HOUSE FILE 181  
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO HSB 41)

**A BILL FOR**

1 An Act prohibiting the state board of regents from investing  
2 public moneys in companies that are owned or controlled  
3 by Chinese military or government services and including  
4 effective date provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 262.14, unnumbered paragraph 1, Code  
2 2023, is amended to read as follows:

3 The board may invest funds belonging to the institutions,  
4 subject to section 262.14A, chapters 12F, 12H, and 12J, and the  
5 following regulations:

6 Sec. 2. NEW SECTION. 262.14A **Restrictions on China-related**  
7 **investments.**

8 1. As used in this section:

9 *a. "Company"* means a sole proprietorship, organization,  
10 association, corporation, partnership, joint venture, limited  
11 partnership, limited liability partnership, limited liability  
12 company, or other entity or business association, including  
13 all wholly owned subsidiaries, majority-owned subsidiaries,  
14 parent companies, or affiliates of such entities or business  
15 associations, that exists for profit-making purposes.

16 *b. "Direct holdings"* in a company means all securities of  
17 a company held directly by the state board of regents or in an  
18 account or fund in which the state board of regents owns all  
19 shares or interests.

20 *c. "Indirect holdings"* in a company means all securities  
21 of a company held in an account or fund managed by one or  
22 more persons not employed by the state board of regents, in  
23 which the state board of regents owns shares or interests  
24 together with other investors not subject to the provisions of  
25 this section. Indirect holdings include mutual funds, fund  
26 of funds, private equity funds, hedge funds, and real estate  
27 funds.

28 *d. "Prohibited company"* means a company that is owned or  
29 controlled by Chinese military or government services or their  
30 instrumentalities, including the people's liberation army of  
31 China or the communist party of China. *"Prohibited company"*  
32 includes a company in which the Chinese military or government  
33 services or their instrumentalities, including the people's  
34 liberation army of China or the communist party of China, own a  
35 majority interest, either directly or indirectly.

1     *e.* “*Scrutinized company*” means any company that is owned or  
2 controlled by Chinese military or government services or their  
3 instrumentalities.

4     2. *a.* On or before July 1, 2023, the state board of regents  
5 shall identify or have identified all scrutinized companies  
6 in which the state board of regents has direct or indirect  
7 holdings and shall create and make available to the public a  
8 scrutinized companies list. The state board of regents shall  
9 review and update, if necessary, the scrutinized companies list  
10 on a quarterly basis thereafter.

11    *b.* In identifying or having identified scrutinized  
12 companies, the state board of regents may review and rely,  
13 in the best judgment of the state board of regents, on  
14 publicly available information and other information that  
15 may be provided by nonprofit organizations, research firms,  
16 international organizations, and government entities. The  
17 state board of regents may also contact asset managers and  
18 institutional investors for the state board of regents to  
19 identify scrutinized companies based upon industry-recognized  
20 lists of such companies that the state board of regents may  
21 have indirect holdings in.

22    3. For each company on the scrutinized companies list  
23 in which the state board of regents has direct or indirect  
24 holdings, the state board of regents shall send or have sent  
25 a written notice informing the company of the requirements of  
26 this section. The state board of regents or its representative  
27 shall continue to provide such written notice on an annual  
28 basis if the company remains a scrutinized company.

29    4. The state board of regents shall not acquire publicly  
30 traded securities of a prohibited company.

31    5. *a.* The state board of regents shall sell, redeem,  
32 divest, or withdraw all publicly traded securities of a  
33 prohibited company no later than one hundred eighty days  
34 following the date the company becomes a prohibited company.

35    *b.* This subsection shall not be construed to require the

1 premature or otherwise imprudent sale, redemption, divestment,  
2 or withdrawal of an investment, but such sale, redemption,  
3 divestment, or withdrawal shall be completed as provided by  
4 this subsection.

5 6. The state board of regents shall, within thirty days  
6 after the scrutinized companies list is created or updated  
7 as required by subsection 2, make the list available to the  
8 public.

9 7. On October 1, 2024, and each October 1 thereafter, the  
10 state board of regents shall make available to the public, and  
11 file with the general assembly, an annual report covering the  
12 prior fiscal year that includes all of the following:

13 a. The scrutinized companies list as of the end of the  
14 fiscal year.

15 b. A summary of all written notices sent as required by  
16 subsection 3 during the fiscal year.

17 c. All investments sold, redeemed, divested, or withdrawn as  
18 provided in subsection 5 during the fiscal year.

19 8. With respect to actions taken in compliance with this  
20 section, including all good-faith determinations regarding  
21 companies as required by this section, the state board of  
22 regents shall be exempt from any conflicting statutory  
23 or common law obligations, including any such obligations  
24 with respect to choice of asset managers, investment funds,  
25 or investments for the state board of regents' securities  
26 portfolios.

27 9. The requirements of subsections 2 through 7 shall not  
28 apply if the United States Congress or president of the United  
29 States, through legislation or executive order, declares that  
30 mandatory divestment of the type provided for in this section  
31 interferes with the conduct of United States foreign policy.

32 Sec. 3. EFFECTIVE DATE. This Act, being deemed of immediate  
33 importance, takes effect upon enactment.

34

EXPLANATION

35 The inclusion of this explanation does not constitute agreement with

1           the explanation's substance by the members of the general assembly.

2       This bill prohibits the state board of regents from  
3 investing public moneys in companies that are owned or  
4 controlled by Chinese military or government services.

5       The bill defines "company" as any entity or business  
6 association, including all subsidiaries, parent companies, or  
7 affiliates of such entities or business associations, that  
8 exist for profit-making purposes. The bill defines "direct  
9 holdings" in a company as all securities of a company held  
10 directly by the state board of regents or in an account or  
11 fund in which the state board of regents owns all shares or  
12 interests. The bill defines "indirect holdings" in a company  
13 as all securities of a company held in an account or fund  
14 managed by one or more persons not employed by the state board  
15 of regents, in which the state board of regents owns shares  
16 or interests together with other investors not subject to  
17 the provisions of this new Code section 262.14A. The bill  
18 defines "prohibited company" as a company that is owned or  
19 controlled by Chinese military or government services or  
20 their instrumentalities, including the people's liberation  
21 army of China or the communist party of China. The bill  
22 defines "scrutinized company" as any company that is owned or  
23 controlled by Chinese military or government services or their  
24 instrumentalities.

25       The bill requires the state board of regents to identify  
26 all scrutinized companies in which the state board of regents  
27 has direct or indirect holdings on or before July 1, 2023.  
28 Additionally, the bill requires the state board of regents to  
29 create and make available to the public a scrutinized companies  
30 list and review and update the list on a quarterly basis.  
31 The bill authorizes the state board of regents to review and  
32 rely on publicly available information and information from  
33 other sources when identifying scrutinized companies. The  
34 bill requires the state board of regents to send notice to  
35 all companies on the scrutinized companies list on an annual

1 basis informing the company of the requirements of the new Code  
2 section.

3 The bill prohibits the state board of regents from acquiring  
4 publicly traded securities of a prohibited company. The bill  
5 requires the state board of regents to sell, redeem, divest, or  
6 withdraw all publicly traded securities of a prohibited company  
7 no later than 180 days following the date the company becomes a  
8 prohibited company.

9 The bill requires the state board of regents, within 30 days  
10 after the scrutinized companies list is created or updated,  
11 to make the list available to the public. Additionally, the  
12 bill requires the state board of regents to make available to  
13 the public and file with the general assembly an annual report  
14 beginning October 1, 2024, and each October 1 thereafter.

15 The bill provides that, with respect to actions taken in  
16 compliance with new Code section 262.14A, the state board  
17 of regents shall be exempt from any conflicting statutory  
18 or common law obligations, including any such obligations  
19 in respect to choice of asset managers, investment funds,  
20 or investments for the state board of regents' securities  
21 portfolios.

22 The bill provides that the provisions related to the  
23 creation of a scrutinized companies list, divestment of  
24 publicly traded securities of a prohibited company, and  
25 reporting shall not apply if the United States Congress  
26 or president of the United States declares that mandatory  
27 divestment of the type provided for in new Code section 262.14A  
28 interferes with the conduct of United States foreign policy.

29 The bill modifies Code section 262.14 to impose these same  
30 restrictions on the state board of regents' investments of  
31 moneys belonging to the state university of Iowa, including  
32 the university of Iowa hospitals and clinics, the Iowa  
33 state university of science and technology, including the  
34 agricultural experiment station, the university of northern  
35 Iowa, the Iowa braille and sight saving school, the Iowa school

H.F. 181

1 for the deaf, the Oakdale campus, and the university of Iowa  
2 hospitals and clinics' center for disabilities and development.  
3 The bill takes effect upon enactment.